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NEW TAX REQUIREMENTS FOR PURCHASES OF VESSELS AND AIRCRAFT

Californians who purchase a vessel or aircraft after October 2, 2004, are subject to important new tax law requirements enacted as part of the 2004-2005 California State Budget. These new requirements significantly increase the waiting period used to qualify as tax exempt, the purchase of a vessel or aircraft out-of-state. Under the previous law, one could purchase a vessel or aircraft and avoid paying California tax by keeping it out of state for 90 days. The new law extends that waiting period to 12 months.

Tax applies to the purchase price of any vessel or aircraft brought into California within 12 months of its purchase if the vessel or aircraft is:

- Purchased by a California resident.
- Required to be registered with the California Department of Motor Vehicles (DMV) during the first 12 months of ownership.
- Subject to California property tax during the first 12 months of ownership.
- Used or stored in this state for more than one-half the time during the first 12 months of ownership.

Tax does not apply to the purchase price of any vessel or aircraft if any of the following occur:

- The purchaser registered the vessel or aircraft in another state.
- The vessel or aircraft is brought into California only for the limited purposes of repair, retrofit, or modification, and no more than 25 hours of sailing or flight time is logged for incidental or other use.

- The vessel or aircraft was purchased from a family member or registered domestic partner who does not hold a Board of Equalization (BOE) seller's permit.
- The vessel or aircraft was sold to a revocable trust where ownership is unchanged.
- The vessel or aircraft was received as a gift, inheritance, or from a court order.
- The vessel or aircraft was received as part of the distribution of the assets of a dissolving corporation, limited liability company, or partnership.
- The vessel or aircraft was purchased in a United States Marshal court sale.
- The vessel or aircraft was purchased by a Native American and delivered on the reservation.
- The vessel was used principally in the business of deep-sea fishing outside California waters, where fishing receipts are \$20,000 or more in the first 12 months.
- The vessel was used to transport persons for hire to and from offshore drilling platforms.

Who is responsible for paying the tax?

Tax is calculated based on the tax rate in effect in the county or city where the aircraft is hangered or the vessel is moored.

The vessel and aircraft dealer or broker is responsible for collecting and paying the tax when the sale occurs in California. Some brokers may not collect the tax and place the responsibility on the buyer. Please read your sale contract carefully.

The buyer is responsible for paying the tax where the purchase is not exempt under the new requirements or the seller or broker does not collect use tax from the buyer. In these circumstances, the buyer either must pay the use tax to the DMV or report and pay the use tax to the BOE.

Publication

BOE Publication #52, *Vehicles and Vessels: How to Request a Use Tax Clearance for DMV Registration*, is available on the BOE website at www.boe.ca.gov or can be obtained by calling toll free at **1-800-400-7115**.